

51855 3388

FORSYTH

FORSYTH PRODUCTS

1997 Operating Plan

September 17, 1996

51855 3389

1996 Forsyth Update
(July '96 YTD -vs- July '95 YTD)

While down versus 1995, Forsyth continues to outperform Industry lowest tier.

-	Forsyth Volume	6,068	- 4.3%
	Industry Lowest Volume	15,632	-14.6%
-	Forsyth SOM	2.33	-11.4%
	Industry SOM	5.60	-15.5%
-	Forsyth SOS	8.29	- 5.7%
	Industry PL SOS	19.94	-10.0%
-	Forsyth SOL	41.58	+ 4.8%
	PM SOL	15.81	- 7.2%
	BAT SOL	16.14	- 3.5%
	Lig SOL	16.61	+ 0.4%
	Other SOL	9.86	-1.6%

Forsyth Operating Plan (1997)

Role

- ☐ Provide strategic benefit/leverage to Total RJR portfolio approach (FP; BS; PL).

- ☐ Assist in meeting Total RJR SOS objectives.

Objectives

- ☐ Deliver corporate role without disrupting marketplace and still maintain highest margin possible.

	<u>1997</u>	<u>Diff. -vs- 1996</u>	
		<u>Amount</u>	<u>%</u>
Volume	10,000MM	(500MM)	(4.8%)
SOS	8.05	(0.19)	(2.3%)
SOL	42.64	0.04	0.1%
<u>MAM</u>			
- Total	\$99.0MM	(\$7.2MM)	(6.8%)
- Per M	\$9.90	(\$.21)	(2.1%)

Strategies

1997 Plan Remains Strategically Unchanged From 1996

- ☐ **Leverage Forsyth to properly balance RJR Total portfolio without putting it at a competitive disadvantage.**
- ☐ **Focus efforts towards partners whose philosophies assist RJR achieve strategic needs**
 - maintain appropriate existing partnerships
 - identify target accounts/aggressively pursue with "bundling" approach
- ☐ **Ensure competitive pricing with margins as high as possible**
 - program in place effective 7/1/96 - monitor and adjust as necessary
 - test "quarterly program" concept
- ☐ **Full integration of Forsyth programs with Sales organization**
 - fully leverage/optimize "Total Category Approach"
 - continue to minimize elimination impact of fully dedicated Forsyth Sales Force
- ☐ **Minimize SKU proliferation as possible, without compromising partnerships**
 - leverage distributor PL with chains
 - utilize MONARCH/BEST VALUE EDLP agreements
 - pursue other opportunities (e.g., up-charges/6M's)

□ **Forsyth's Total RJR Portfolio Strategy is Working:**

- RJR's Total SOM in FULL PARTNER'S is significantly higher
- RJR's FP/BS SOM and SOC trend higher
- DORAL's SOM and SOC trend higher
- RJR sales profits are much higher
- RJR positioned as #1 or strong #2 -vs- 3rd or 4th
- Bundling strength discourages PM exclusives
(adds average \$.93 value to each PL carton)

☐ **Conclusions**

1. *Will pursue Forsyth only where strategically a Total RJR benefit is obtained*

2. *Bundling process is crucial*

- Field Sales must understand/use
- Must educate partners

3. *Bundling Strategy works*

- Retail competitive position strengthened
- Increased profitability versus Liggett/Star (price only)